

Message Text

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71

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 FAA-00 PA-02 USIA-15 PRS-01

 SP-02 L-03 AS-01 /056 W
 008853

R 071956Z JAN 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8442

UNCLAS OTTAWA 0045

POUCHED INFO ALL CONSULAR POSTS IN CANADA

E.O. 11652: N/A

TAGS: EAIR, CA

SUBJ: CIVAIR: \$10 MILLION DEFICIT FOR AIR CANADA

REF: OTTAWA 2886, AUG. 1, 1975

1. PRESS REPORTS AIR CANADA ANNOUNCED JANUARY 6 A 1975
DEFICIT OF ABOUT \$10 MILLION COMPARED WITH \$9.2 MILLION
LOSS IN THE PREVIOUS YEAR.

2. ACTING CHAIRMAN TASCHEREAU INDICATED CARRIER WILL BE
SEEKING INCREASED AIR FARES IN VIEW HIGHER COSTS FOR FUEL,
LABOR AND GOVERNMENT USER CHARGES. HOWEVER, BASIC
PROBLEM APPEARS TO BE DECLINE IN PASSENGER AND CARGO
TRAFFIC WITH LOAD FACTOR HAVING DROPPED FROM 64 TO 58
PERCENT FROM 1974 TO 1975. HE SUGGESTED LITTLE
IMPROVEMENT IN SITUATION WAS EXPECTED FOR 1976.

3. TASCHEREAU CONTINUED CARRIER'S TRADITIONAL FAULT
FINDING WITH GOC IMPOSED FINANCIAL STRUCTURE WHICH IS
BASED ON DEBT-EQUITY RATIO OF 95-5, IN CONTRAST
WITH THE 60-40 RATIO COMMON AMONG PRIVATELY OWNED
NORTH AMERICAN AIRLINES. HE NOTED THAT IF AIR CANADA
WERE SIMILARLY STRUCTURED THE INTEREST SAVINGS IN
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1974 WOULD HAVE CHANGED THE \$9.2 MILLION LOSS TO TO

\$1.4 MILLION PROFIT. NO SIMILAR FIGURES WERE GIVEN
FOR 1975.

4. COMMENT: GOC IS EXPECTED SOMETIME THIS YEAR TO
INTRODUCE LEGISLATION REORGANIZING AIR CANADA. WHETHER
IT WILL FINANCIALLY RESTRUCTURE THE CARRIER BY
ACQUIRING A GREATER EQUITY INTEREST REMAINS TO BE SEEN
IN VIEW OF THE GENERAL FEDERAL FISCAL RESTRAINT EFFORT.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, BUSINESS LOSSES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OTTAWA00045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760005-1162
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760179/aaaacssa.tel
Line Count: 70
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 OTTAWA 2886
Review Action: RELEASED, APPROVED
Review Authority: castelsl
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2004 by barnescd>; APPROVED <17 AUG 2004 by castelsl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: \$10 MILLION DEFICIT FOR AIR CANADA
TAGS: EAIR, CA, AIR CANADA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006